

# Vanguard® Target Retirement 2020 Fund

Balanced fund (stocks and bonds)

## Investment objective

Vanguard Target Retirement 2020 Fund seeks to provide capital appreciation and current income consistent with its current asset allocation.

## Investment strategy

The fund invests in Vanguard® mutual funds using an asset allocation strategy designed for investors planning to retire between 2018 and 2022. The fund's asset allocation will become more conservative over time. Within seven years after 2020, the fund's asset allocation should resemble that of the Target Retirement Income Fund. The underlying funds are: Vanguard Total Stock Market Index Fund, Vanguard Total Bond Market Index Fund, Vanguard European Stock Index Fund, Vanguard Pacific Stock Index Fund, and Vanguard Emerging Markets Stock Index Fund.

The fund's indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, mid- and small-cap U.S. stocks and international stocks. Its indirect bond holdings are a diversified mix of investment-grade taxable U.S. government, U.S. agency, and corporate bonds, as well as mortgage-backed securities, all with maturities of more than 1 year.

See reverse side for Fund Profile.

*Note on frequent trading restrictions: Frequent trading policies may apply to those funds offered as investment options within your plan. Please log on to Vanguard.com for your employer plans or contact Participant Services at 800-523-1188 for additional information.*

## Who should invest

- Investors seeking both a reasonable level of income and long-term growth of capital and income.
- Investors seeking a simple way to achieve a broadly diversified holding of stocks and bonds that will gradually become more conservative in its allocation.
- Investors seeking to retire between 2018 and 2022.

## Who should not invest

- Investors unwilling to accept significant fluctuations in share price.
- Investors seeking maximum long-term growth of capital.
- Investors expecting a guaranteed level of income upon retirement.

## Performance

### Total returns

|                             | Periods Ended December 31, 2007 |              |          |                 |
|-----------------------------|---------------------------------|--------------|----------|-----------------|
|                             | Quarter                         | Year to Date | One Year | Since Inception |
| Target Retirement 2020 Fund | -1.12%                          | 7.52%        | 7.52%    | 12.59%          |
| Target 2020 Composite Index | -1.08%                          | 7.54%        | 7.54%    | 12.67%          |

**The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at [www.vanguard.com/performance](http://www.vanguard.com/performance).**

Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

Target 2020 Composite Index: Derived by applying the fund's target allocation to a series of unmanaged benchmarks. The index is currently made up of four unmanaged benchmarks, weighted 58% MSCI US Broad Market Index, 28% Lehman U.S. Aggregate Bond Index, 12% MSCI EAFE Index, and 2% MSCI Emerging Markets Index. The MSCI Emerging Markets Index replaced the Select Emerging Markets Index on August 24, 2006. The composite index changes over time with the fund's asset allocation.

\*The average weighted expense ratio of the underlying funds.

**Total net assets:** \$2,530 million

**Expense ratio:** 0.20%\*  
as of September 30, 2007

**Ticker symbol:** VTWNX

**Newspaper listing:** TgtRe2020

**Inception date:** June 7, 2006

**Fund number:** 0682

**Overall risk level:**



# Vanguard Target Retirement 2020 Fund

### Plain talk about risk

The fund is subject to several stock and bond market risks, any of which could cause an investor to lose money. However, based on the fund's current allocation between stocks and the less volatile asset class of bonds, the fund's overall level of risk should be higher than those funds that invest the majority of their assets in bonds, but lower than those investing entirely in stocks. As the fund's allocation between underlying funds gradually changes, the fund's overall level of risk also will decline. In addition to the risks inherent in the asset classes of the underlying funds, the fund also is subject to *asset allocation risk*, which is the chance that the selection of underlying funds and the allocation of fund assets will cause the fund to underperform other funds with a similar investment objective. For further details on all risks, please refer to the fund's prospectus.

### Investment terms

**Bond:** A debt security (IOU) issued by a corporation, government, or government agency in exchange for the money the bondholder lends it. In most instances, the issuer agrees to pay back the loan by a specific date and make regular interest payments until that date.

**Dividends:** A payment of cash or stock from a company's earnings to each stockholder as declared by the company's board of directors.

**Expenses:** The costs of running a fund, expressed as a percentage of the fund's assets. For example, a fund may have expenses that total 0.30% (less than half of 1%) of its assets.

**Interest:** Payments made by a company, a government, or a government agency to investors who lend them money. For example, an investor buys a bond from a company, which agrees to pay back the loan by a certain date at a set rate.

**Mutual fund:** An investment company that pools the money of many shareholders and invests it in a variety of securities in an effort to achieve a specific objective over time.

**Total return:** The change in the net asset value of an investment, assuming reinvestment of all dividend and capital gain distributions.

### Fund profile

as of December 31, 2007

### Allocation of underlying Vanguard funds<sup>†</sup>

|  |       |
|--|-------|
| Vanguard Total Stock Market Index Fund     | 57.1% |
| Vanguard Total Bond Market Index Fund      | 28.6  |
| Vanguard European Stock Index Fund         | 7.9   |
| Vanguard Pacific Stock Index Fund          | 3.5   |
| Vanguard Emerging Markets Stock Index Fund | 2.9   |

<sup>†</sup>Fund holdings are subject to change.

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**For more information about Vanguard funds, visit [www.vanguard.com](http://www.vanguard.com), or call 800-523-1188, to obtain a prospectus. Investment objectives, risks, charges, expenses, and other important information about a fund are contained in the prospectus; read and consider it carefully before investing.**